Groupe Laperrière & Verreault Inc.

CONSOLIDATOR
INTEGRATOR

Annual Report 2000

GL&V

1975-2000

PROFILE

Founded in 1975, GL&V is now a leading North American designer and manufacturer of engineered industrial equipment for the pulp and paper industry and other strategic markets such as chemicals, mining, minerals, food, energy and the environment. Following its most recent acquisitions which have positioned it as a world-class integrated supplier, the Company employs some 1,500 people worldwide.

GL&V holds the proprietary rights to most of the equipment used in its customized technological solutions. Its products are manufactured in its own plants in North America and Europe, as well as by a network of subcontractor partners.

Present in more than 40 countries on five continents, GL&V has operations and/or sales representatives in Canada, the United States, Europe, Australia, Africa, Asia, and South America, in addition to sales agents in most industrialized regions.

HIGHLIGHTS

FOR THE FISCAL YEAR ENDED MARCH 31, 2000

First Quarter (June 30, 1999)

- Growth of 54.2% in revenues and 148.8% in net earnings

Second Quarter (September 30, 1999)

- Growth of 66.4% in revenues and 46.3% in net earnings
- **Acquisition of the Dorr-Oliver group of companies** (Milford, Connecticut) on September 15, 1999 - World leader in technological solutions for separating liquids and solids in different industrial markets (environment, pulp and paper, minerals, food and chemicals)

Third Quarter (December 31, 1999)

- Growth of 20.3% in revenues and 18.0% in net earnings
- **Acquisition of some of the assets of National Refiner Plate Company** (Cairo, Georgia), on December 20, 1999
- Sale of GL&V/Dorr-Oliver Inc.'s starch manufacturing technology and centrifugation assets to the Swedish company Alfa Laval, on December 21, 1999

Fourth Quarter (March 31, 2000)

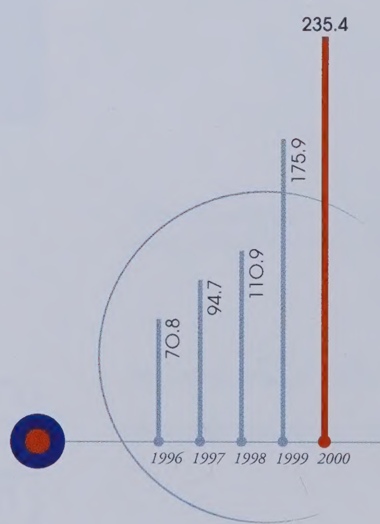
- Growth of 25.2% in revenues and 73.4% in net earnings
- Inauguration of the International Coating Centre C.I.C. Inc., on January 31, 2000 - World-class technological center based in Trois-Rivières, founded by GL&V and two partners
- **Acquisition of two major business units of Beloit** on February 25, 2000, specializing in the design and manufacture of industrial equipment for pulp preparation and paper finishing. Creation of the subsidiaries **GL&V/Impco-Jones Inc.*** (Nashua, New Hampshire) and **GL&V/Beloit-Lenox Inc.** (Lenox, Massachusetts)

** GL&V/Impco-Jones Inc. recently changed its name for GL&V Pulp Group Inc.*

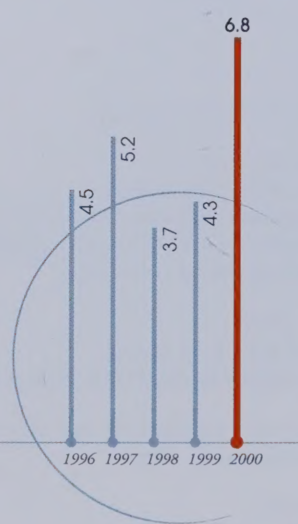
FINANCIAL HIGHLIGHTS

Fiscal years ended March 31	**2000**	1999	1998	1997	1996
OPERATING RESULTS *(in thousands of dollars)*					
Contract income	**235,440**	175,922	110,871	94,697	70,808
EBITDA	**20,894**	14,044	10,590	11,691	5,850
Earnings from continuing operations	**6,837**	4,096	3,564	4,648	2,200
Net earnings	**6,837**	4,282	3,653	5,196	4,474
Cash flow from operations	**12,615**	10,481	7,403	7,356	5,775
PER SHARE *(in dollars)*					
Earnings from continuing operations					
basic	**0.82**	0.50	0.47	0.61	0.31
fully diluted	**0.69**	0.42	0.39	0.49	0.27
Net earnings					
basic	**0.82**	0.52	0.49	0.69	0.62
fully diluted	**0.69**	0.43	0.40	0.54	0.49
Cash flow from operations					
basic	**1.54**	1.27	0.99	0.97	0.80
fully diluted	**1.26**	1.05	0.75	0.74	0.62
Dividends	**–**	--	0.10	--	--
FINANCIAL POSITION *(in thousands of dollars)*					
Total assets	**225,907**	136,623	100,557	97,228	98,421
Long-term debt *	**71,909**	30,149	14,931	14,525	12,638
Shareholders' equity	**51,719**	47,002	42,596	36,972	32,419

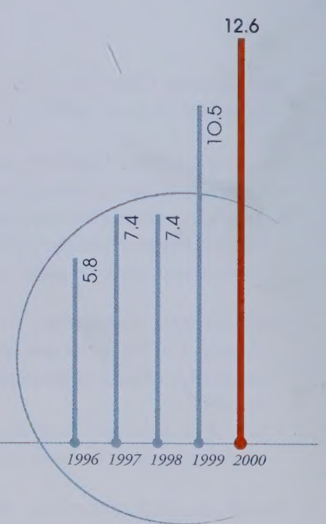
* *Including current portion*



Contract revenues
(in millions of $)



Net earnings
(in millions of $)



Cash flow from operations
(in millions of $)

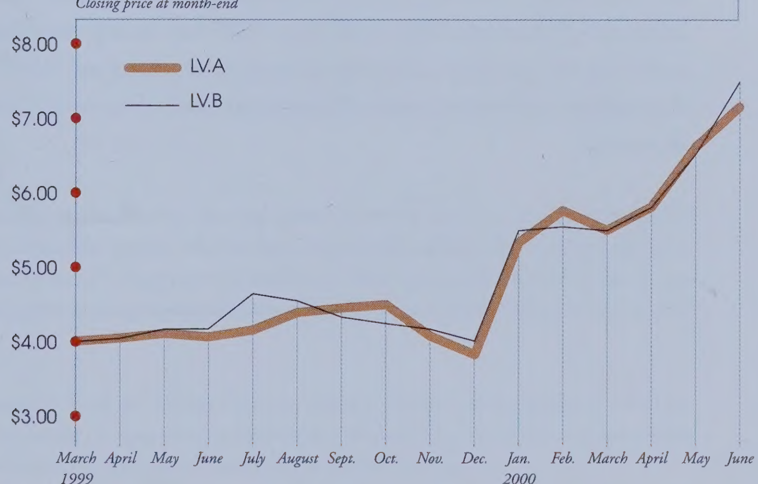
STOCK INFORMATION

ISSUES AND OTHER PUBLIC TRANSACTIONS

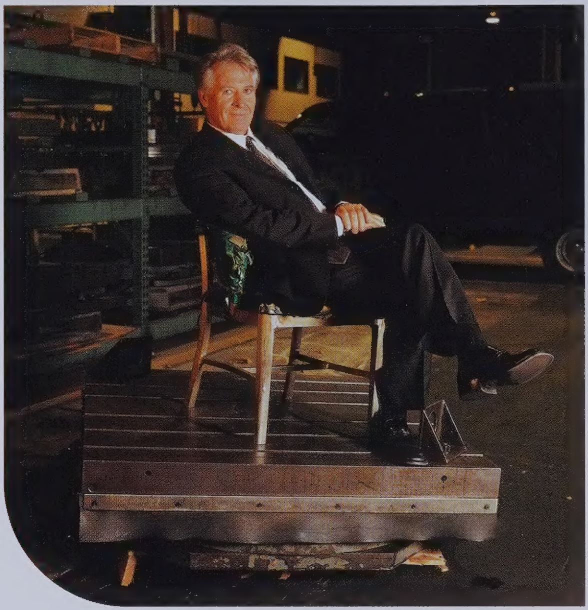
- **1986** – Issue of 1,000,000 common shares at $4.00 per share and listing on the Montreal Exchange
- **1992** – Issue of 2,700,000 units (one Class "A" subordinate share + 1/2 warrant) at $3.00
- **1993** – Issue of $12 million in convertible subordinate debentures and special warrants exchangeable for Class "A" subordinate shares
- **1995** – Issue of 703,838 Class "A" subordinate shares following the exercise of warrants and the redemption by the Company of 623,399 warrants at maturity
- **1998** – Conversion of $3.9 million of convertible debentures into 1,030,919 Class "A" subordinate shares
- **1999** – Conversion of $2.2 million of convertible debentures into 584,254 Class "A" subordinate shares
- **2000** – Conversion of $0.4 million of convertible debentures into 112,260 Class "A" subordinate shares

SHARES	LV.B *(multiple voting)*	LV.A *(subordinate voting)*
Number of outstanding	3,604,855	4,707,954
Public float	1,201,776	4,079,805
Record high/low	$7.88/$1.95	$7.15/$3.30
High/low for last fiscal year	$7.50/$4.00	$7.15/$3.80
Trading volumes	1,383,883	698,479
Prices as at March 31, 2000	$5.50	$5.50
Prices as at June 30, 2000	$7.50	$7.15

Closing price at month-end



MESSAGE TO SHAREHOLDERS



Laurent Verreault, Chairman of the Board, President and Chief Executive Officer

Fiscal 1999-2000 marked the most strategic phase in GL&V's history, and the most promising for its future growth and international positioning.

With three major acquisitions in eighteen months, two of which were in the last seven months of the fiscal year (the Dorr-Oliver Group, on September 15, 1999 and two important business units of Beloit, on February 25, 2000), the Company has emerged as one of the key players in North America, and the leader in several niche markets worldwide.

Every one of the acquisitions made since 1987 has rapidly contributed to results, including the two latest. These acquisitions have positioned GL&V as a world-class designer and manufacturer of equipment, and a force to be reckoned with in its markets.

1975-2000

1975 **Creation of Laperrière & Verreault Inc.** - First service contracts for a paper manufacturer

Revenues and net earnings from continuing operations have increased by 233% and 211% respectively since fiscal 1996 as we carried out our strongest expansion ever.

We have developed **a successful strategy to rapidly and profitably** integrate acquired businesses, divisions and subsidiaries of conglomerates. This strategy has entailed concentrating on our know-how and high value-added activities, while outsourcing, rationalizing and disposing of some operations in order to maintain and optimize the expertise, infrastructures, technology and products that enable us to provide clients with highly competitive service.

During fiscal 1999-2000, we completed with maximum efficiency the integration phases planned for our last two acquisitions. Therefore, the GL&V/Dorr-Oliver subsidiaries brought a contribution to results in their first few months of integration, while we started to reap the benefits from GL&V Pulp Group and GL&V/Beloit-Lenox after just one month of operation within the Pulp and Paper Group.

Combined with the contribution of the GL&V/Celleco subsidiaries for a full year, the restructuring of our new business base had a positive impact on GL&V's profitability for fiscal 1999-2000, enabling us to generate net earnings of $6.8 million or $0.82 per share ($0.69 fully diluted), up 59.7% over the previous fiscal year and 87% over 1997-1998. The last three months of fiscal 1999-2000 gave rise to GL&V's best quarterly performance since its inception. These excellent results bode well for our future growth, especially since we will be able to fully achieve the anticipated synergies of the last two acquisitions once their integration is completed in the fall of 2000.

We ended fiscal 1999-2000 with revenues of $235.4 million, up 34% over the previous year, and 112% over revenues from continuing operations in 1997-1998. Diversifying our geographic markets has enabled us to increase the proportion of our sales from international operations to more than 81% of consolidated revenues, compared with 58% two years ago.

Now that it stands as an industry leader, GL&V is better positioned than ever to seize opportunities and intensify its internal growth as markets start to pick up.

In recent years, the rationalization that has prevailed in the pulp and paper, mining and metallurgy industries, like several other sectors, has caused a slowdown in capital spending and an extended phase of mergers and acquisitions. This in turn has brought about a **consolidation movement among equipment suppliers** for these industries, from which GL&V has benefited.

We have successfully faced the upheaval in our primary market, pulp and paper manufacturers, by concentrating on upgrading, maintenance, engineering, rebuilding and spare parts services for medium-sized equipment, primarily in North America.

This niche strategy has fostered GL&V's development by enabling us to:

- achieve sustained growth throughout the restructuring of our markets;
- make quality acquisitions under advantageous conditions, and thereby emerge as a leader in our industry;
- integrate patented equipment under several world-renowned trademarks, geared to paper manufacturers and other industries; and
- diversify our industrial and geographic markets.

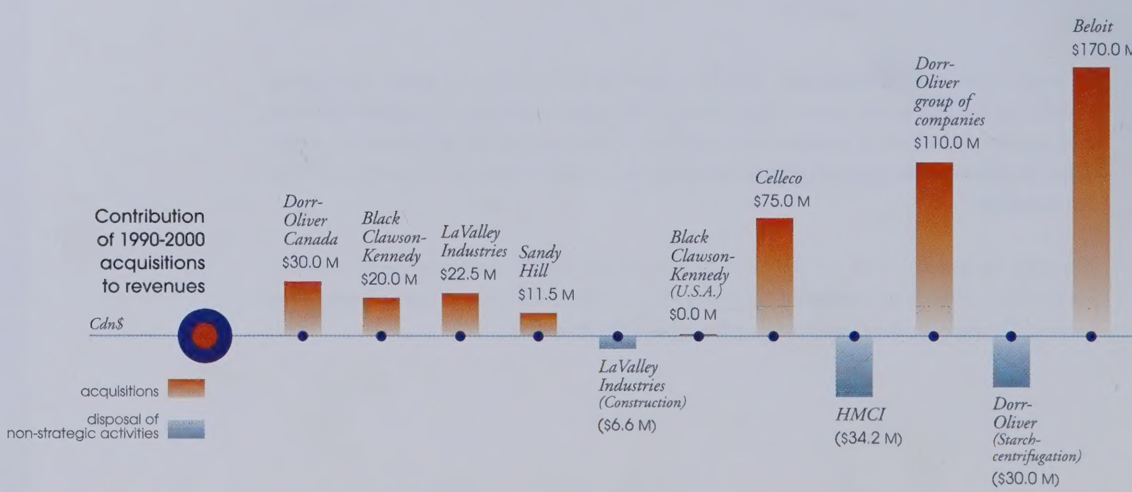
In recent months, the firming up of commodity prices has led to a recovery in capital spending by the pulp and paper industry throughout North America, Europe and Asia. This improvement will benefit GL&V as we have considerably strengthened our organization and developed our technological platform by integrating recognized trademarks. In fact, brand equity is a key factor in establishing and developing a relationship of trust with clients. Another condition for success is the ability to respond rapidly to customer needs, especially for maintenance, engineering and spare parts services. Therefore, when integrating new subsidiaries, we strive to instill GL&V's entrepreneurial culture in order to maintain flexible yet rigorous management, and the personalized client approach typical of a medium-sized supplier, while also offering the advantages of an international organization.

In this more favorable environment, we will continue to focus on the niche markets in which we excel, and will optimize our infrastructure and product mix by banking on our sales network spread over 40 countries.

GL&V expects to top the $500 million mark in revenues by March 31, 2002, as it will maximize the synergies from its new subsidiaries.

The contribution from GL&V Pulp Group and GL&V/Beloit-Lenox will help double the **Pulp and Paper Group**'s revenues between now and the end of March 2001. In addition, the rapid integration of their technologies will foster important synergies between some of our trademarks and business units.

GL&V Manufacturing, which surpassed its financial objectives in fiscal 1999-2000, will notably benefit from outsourcing contracts from our new subsidiaries to support its growth.



1981 Creation of Constructions Laperrière et Verreault Inc.

The Process Group will complete the integration of GL&V/Dorr-Oliver in the fall of 2000. These subsidiaires have proven their capacity to leverage their expertise in profitable niches. Recently they have been awarded several large-scale contracts in various industrial and geographic markets. The Process Group is positioned to substantially increase its revenues and its contribution to GL&V's profit margins, while seizing new acquisition opportunities in years to come, as the consolidation of filtration equipment manufacturers continues.

As for the GL&V/Dorr-Oliver, GL&V Pulp Group and GL&V/Beloit-Lenox subsidiaries, they will fully contribute to results for the fiscal year ending March 31, 2001. With this major new input and a larger order backlog than in previous years, we expect that the next two fiscal years will give rise to strong growth in revenues and earnings. Combined with the synergies we will develop within the Pulp and Paper and the Process Groups, these results will enable us to improve our financial position and to carry out further expansion projects in the medium term.

We will pursue our market development by striving to balance our revenue sources between our two growth segments: the Pulp and Paper Group and the Process Group. We plan to forge strategic alliances and to seize other acquisition opportunities in specific niches, as we did with National Refiner Plate, which was integrated into the Pulp and Paper Group at the end of 1999, and Environmental Equipment & Systems, integrated into the Process Group in June 2000. With the leverage for growth provided by our international sales force, such acquisitions of small engineering companies offer very attractive potential.

In the future, we will maintain the strategic approach that has made us one of the industry's most competitive suppliers worldwide. Our ability to efficiently integrate and optimize operations on an ongoing basis, combined with the entrepreneurial culture of our business units, will remain our key success factors. We will also continue to collaborate with our clients on cutting-edge design and development projects with regard to our various product lines, in order to provide them with the technological solutions best suited to their needs.

We would like to express to GL&V's employees, including those who have joined us in recent months, our gratitude for their team spirit, their understanding and their capacity to effectively meet the challenges of this restructuring phase. We also wish to thank all of our business partners and shareholders for their encouraging support. Our thanks go as well to all our Directors who have given the Company the benefit of their wise counsel. This year we would particularly like to thank Pierre Raymond, who will step down from the Board at our next Annual Meeting, after 12 years of service as a Director of GL&V.

After 25 years of development and growth, GL&V has entered the new millennium with a leadership position, unique competitive strengths and considerable potential, which are sure to be recognized by financial markets.

Laurent Verreault

Laurent Verreault
Chairman of the Board,
President and Chief Executive Officer

INTEGRATOR OF EXP

PULP AND PAPER GROUP

PULP

GL&V/Celleco, Inc.
• National Refiner Plate
Lawrenceville, Cairo, *Georgia*
Vancouver, *Washington*

GL&V/Celleco AB
Stockholm, Hedemora, Tumba, *Sweden*
St.Petersburg, *Russia*
Pune, *India*

GL&V Hedemora AB
Hedemora, *Sweden*

GL&V/Celleco OY
Espoo, *Finland*
Beijing, *China*

GL&V Pulp Group Inc.*
Nashua, *New Hampshire*
Pittsfield, *Massachusetts*

GL&V Brasil Ltda.
Campinas SP, *Brazil*

PAPER

GL&V/Black Clawson-Kennedy
Trois-Rivières, Dorval, *Quebec*
Lawrenceville, *Georgia*
Hudson Falls, Watertown, *New York*

GL&V/Beloit-Lenox Inc.
Lenox, *Massachusetts*

**New corporate name*
(formerly GL&V/Impco-Jones Inc.)

MANUFACTURING

GL&V Manufacturing Inc.
Trois-Rivières, *Quebec*

PROCESS GROUP

GL&V/Dorr-Oliver Canada Inc.
Orillia, *Ontario*

GL&V/Dorr-Oliver Inc.
Milford, *Connecticut*
Hazleton, *Pennsylvania*
Denver, *Colorado*
Diadema SP, *Brazil*

GL&V/Dorr-Oliver de Mexico, S.A. de C.V.
Mexico D.F., *Mexico*

GL&V/Dorr-Oliver de Chile Ltda.
Santiago, *Chile*

GL&V/Dorr-Oliver France SARL
Torcy, *France*

GL&V/Dorr-Oliver Ltd.
Stafford, *United Kingdom*

GL&V/Dorr-Oliver GmbH
Wiesbaden, *Germany*
Hoofddorp, *Netherlands*

GL&V/Dorr-Oliver Pty. Ltd.
Lidcombe, *Australia*

GL&V/Dorr-Oliver South Africa Pty Ltd.
Sandton, *South Africa*

1986 **Merger of three affiliated companies:** Laperrière & Verreault Inc., La Société de Fabrication des Vieilles Forges Inc. et Les Services Maxi-Plus Inc.

ERTISE

Head Office and Executive Office ●
Operating Centres ●
Agents or licencees ○

Active in 40 countries on five continents

1986 **Stock Listing** (Montreal Exchange)

INTEGRATOR OF TECHNOLOG
INTERNATIONAL

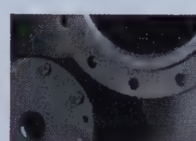
Industrial Markets	PULP AND PAPER GROUP	PROCESS GROUP	OTHER ACTIVITIES
PULP AND PAPER	Mechanical pulping equipment Chemical pulping equipment Pulp recycling equipment Pulping equipment Forming sections Press sections Drying systems Winders Hydra-Sizers Hydra-Nip Precalendering systems	Liquid-solid separation equipment	Wood chip analysis systems Pulp bleaching control systems Coating products and process testing Sludge dehydration plate presses
MINING, MINERAL PROCESSING AND METALLURGY		Liquid-solid separation equipment Mineral handling equipment	Hydrogen electrolysis equipment
ENVIRONMENT		Liquid-solid separation equipment	Density separation equipment Liquid-solid separation equipment
ENERGY			Hydroelectric dam gates Hydrogen electrolysis equipment
OTHERS		Liquid-solid separation equipment	

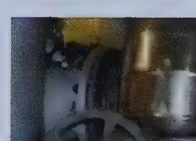
1987 **Acquisition of Les Industries Couture Ltée** (Chicoutimi, Quebec) - Manufacture of parts for paper mills and aluminum smelters as well as components for power stations

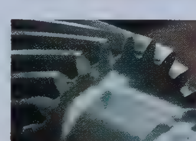
ES AND TRADEMARKS

more than 1,000 patents

- Albia
- Bagley and Sewall
- Beloit Pulping
- Black Clawson-Kennedy
- Canron
- Celleco
- Dorr-Oliver
- Downington
- Hedemora
- Impco
- Jones
- LaValley
- National Refiner Plate
- Sandy Hill







1988 **Acquisition of Hydro-Mécanique Inc. and its subsidiaries** (Quebec) - Construction and engineering of industrial facilities, power stations and municipal wastewater treatment systems

PULP AND PAPER GROUP

Robert Harrison, President, Pulp and Paper Group and Richard Verreault, Vice-President, Pulp Group

The pulp and paper industry was the first market in which GL&V started its business in 1975, and is still the Company's primary source of revenues, accounting for 61.6% of consolidated sales in fiscal 1999-2000. Following the acquisition of the GL&V Pulp Group and GL&V/Beloit-Lenox subsidiaries, the Pulp and Paper Group today ranks among the world's leading designers and manufacturers of engineered equipment for pulp and paper mills.

What is the latest acquisition's impact on the Pulp and Paper Group ? **GL&V**: Beloit was one of the three largest manufacturers of equipment for the pulp and paper industry worldwide, and the only major player in North America. Combined with the acquisition of the GL&V/Celleco subsidiaries, this transaction had a considerable impact on our equipment platform, client base and positioning. We now hold an influential position in the international market. By acquiring GL&V Pulp Group and GL&V/Beloit-Lenox, specializing respectively in pulp preparation and paper finishing equipment, we integrated patented product lines, expertise complementary to GL&V's, production machinery in excellent condition, an international sales force and a high-potential spare parts service. Such complementarity was achieved under advantageous conditions since this top-quality acquisition was concluded at an interesting price.

1989 **Acquisition of the assets of a Canron Inc. division** (Trois-Rivières, Quebec) - GL&V thereby acquires its first proprietary technology for paper manufacturers.

What is your technological development strategy ? **GL&V**: Concerned with quality and return on invested capital, pulp and paper manufacturers generally prefer to acquire proven technological solutions. Therefore, in order to develop our product mix and pool of expertise, we give priority to acquiring businesses with world-renowned proprietary technologies and equipment and a potential for rapid profitability and sustainable growth. As for our own design and development activities, they are focused on keeping our frontline products on the cutting edge of technology.

Can you meet all pulp and paper manufacturers' needs for equipment ? **GL&V**: We can meet all of pulp and paper manufacturers' needs with regard to equipment, service and spare parts, whether for pulp preparation and production or for the main phases of paper production and finishing. We now have a highly integrated product mix. But even more important are the reputation of our brands and our responsive and personalized services, which represent decisive advantages for our clients. Trademarks and service are truly the keys to success. When we design, manufacture, and install high-quality, customized equipment using proven technologies, we win clients' trust and thereby position ourselves for after-sales service including the supply of spare parts. Conversely, when our business units provide expert service and recognized brand-name products to meet our clients' maintenance and spare parts needs, we can offer them our other products and services.

Will you maintain your niche strategy following your latest acquisition ? **GL&V**: Now that we have a much more complete portfolio of patented products, increased expertise and a network extending into some 40 countries, our niche strategy is more appropriate than ever: whether to meet pulp and paper manufacturers' regular needs for maintenance, rebuilding and spare parts, which are accounted for as operating expenses, or to design and manufacture new machines that can be accounted for as capital expenditures. In addition, the consolidation under way among our clients is leading to an increasing centralization of decision-making when it comes to major investments in equipment. Having successfully positioned ourselves among the world's leading suppliers, we are well placed to submit competitive bids.

Has the recovery in capital spending had a tangible impact on your backlog ? **GL&V**: In recent months, the rise in commodity prices has given rise to a recovery in capital spending by North American, Asian and European pulp and paper manufacturers. After several years of minimal spending, North American producers will have to carry out important equipment upgrading and machine installation projects to protect their market shares against Asian and European competitors. In fact, a 13% increase in capital expenditures is planned for fiscal 2000 within the North American pulp and paper industry, our primary market. Excluding spare parts, our backlog totalled $93 million as of March 31, 2000, up from $38 million one year earlier. With the major addition brought by GL&V Pulp Group and GL&V/Beloit-Lenox, we more than ever have the competitive strengths needed to take full advantage of the recovery under way.

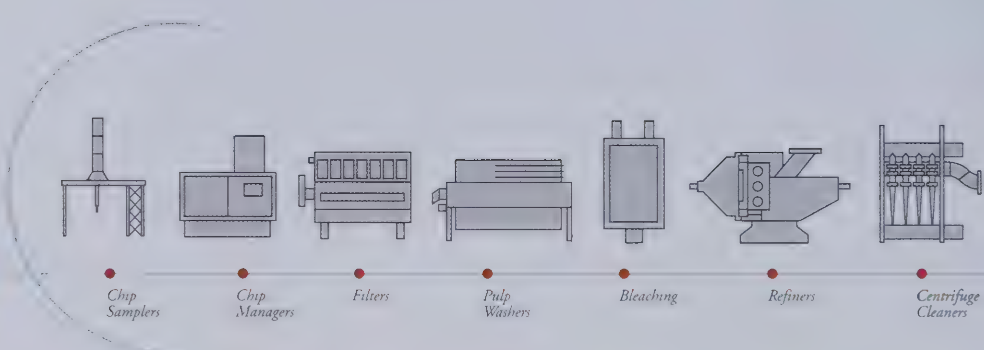
1990

Acquisition of the assets of Dorr-Oliver Canada Inc. (Orillia, Ontario) - GL&V diversifies its industrial client base and integrates efficient proprietary technologies for the pulp and paper industry, mostly liquid-solid separation using mechanical means.

What initial benefits have you reaped from these two new subsidiaries ? **GL&V**: For example, three weeks after their acquisition, our two new subsidiaries announced orders of $12 million, mostly in North America. And only two weeks following the acquisition, GL&V/Beloit-Lenox's Canadian orders alone were equivalent to the Pulp and Paper Group's entire Canadian backlog one year earlier. At the time of the acquisition, GL&V Pulp Group, which made us the North American leader in pulping systems, had total sales of over $135 million annually. GL&V/Beloit-Lenox, which has a dominant position in winders, had revenues of some $50 million annually.

Are the results of the initial restructuring phases in line with forecasts ? **GL&V**: Indeed, the impact of the restructuring carried out in the weeks following the acquisition are fully in line with forecasts. By the fall of 2000, when the integration of the two subsidiaries will be virtually complete, we should achieve the synergies and operating savings of some $30 million annually we had planned in February 2000.

What was your integration strategy ? **GL&V**: Beloit's two business units were in critical financial condition. We had to act efficiently to cut operating costs and focus on operations that could be made profitable as quickly as possible, while also thinking about building up our long-term potential. The restructuring is being carried out with excellent cooperation and understanding of the objectives aimed at positioning the Group as a competitive supplier in North America and around the world. To maintain some 350 positions, we had to lay off some 200 people and plan to outsource over half of the two subsidiaries' production operations, some of which will be redirected to GL&V Manufacturing's plant located in Trois-Rivières. Various non-strategic assets could be sold between now and the end of fiscal 2000-2001. We also did some streamlining of products and R&D in order to eliminate any duplication with GL&V/Celleco's, and thereby reduce R&D costs for the Pulp and Paper Group as a whole. As a tangible result of the first month of integration, the two subsidiaries already contributed to the Group's revenues and earnings and are constantly improving their EBITDA margins.

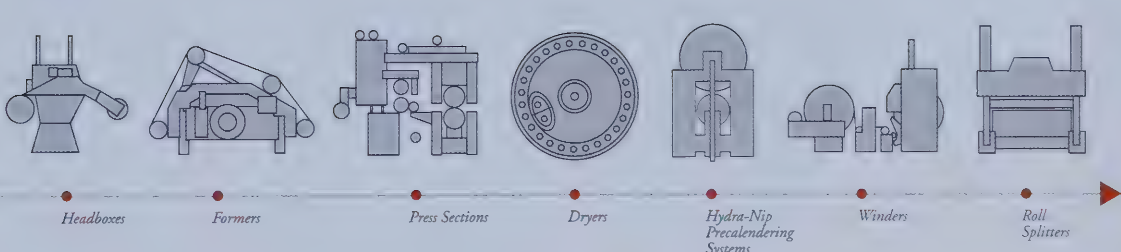


1992 **Acquisition of the assets of Ateliers Allibe S.A.** (France)

After a full 18 months, is the contribution of the GL&V/Celleco subsidiaries in line with expectations ? **GL&V**: The integration of the GL&V/Celleco subsidiaries into the Pulp and Paper Group went very well and their contribution to our growth in fiscal 1999-2000 was most rewarding. GL&V/Celleco, Inc. achieved an excellent performance in North America. We plan to finish integrating the Swedish operations during fiscal 2000-2001, having outsourced GL&V Hedemora AB's manufacturing activities on May 1, 2000. As for GL&V/Celleco AB (Sweden) and GL&V/Celleco OY (Finland), they intend to further penetrate high-potential market segments such as filter rebuilding and upgrading, while increasing their spare parts business.

Will you pursue your expansion-by-acquisition strategy over the next two years ? **GL&V**: We plan to acquire small high-potential engineering companies and/or forge strategic alliances with some of Beloit's former partners. For example, in late December 1999, GL&V/Celleco acquired National Refiner Plate, a young company located in Cairo, near Atlanta, specializing in the design and manufacture of refiner plates for the pulp and paper industry. These products are in great demand in our market, not only because they are indispensable, but because they have to be renewed frequently. National Refiner Plate recorded sales of approximately $3 million at the time of the acquisition and is expected to show sustained growth thanks to the contribution of our existing sales force and our new GL&V Pulp Group subsidiary.

What is your outlook for fiscal 2000-2001 ? **GL&V**: Our growth potential has increased considerably. We now offer a much more complete product mix to a much larger client base. Our market development should be all the more successful as we can count on a stronger sales network and more attractive competitive strengths. Additionally, the forthcoming synergies will enable us to continue improving our EBITDA margin. Therefore, we expect to close the current fiscal year with revenues and earnings up significantly over fiscal 1999-2000.



PROCESS GROUP

Greg Bruyea, President, Process Group and Bart Yule, Vice-President and General Manager, GL&V/Dorr-Oliver Canada Inc.

The Process Group had an excellent year, posting strong financial growth thanks to the major expansion it achieved on September 15, 1999, by acquiring the GL&V/Dorr-Oliver subsidiaries. This transaction made GL&V a world leader in filtration process equipment for various industrial markets.

What do these new subsidiaries bring to the Process Group ? **GL&V**: The acquisition provides the Process Group with considerable potential for growth and expansion. We integrated additional expertise, a worldwide renowned brand for its quality, patented products, an international client base, and an operational and sales network established in numerous countries on several continents. Before the acquisition, we operated out of Orillia, Ontario, and most of our orders came from the Canadian market. Today, our revenues are derived from various geographic and industrial markets: mining, minerals, the environment such as the treatment of municipal and industrial waste, chemicals, food and energy. GL&V's Process Group has a diversified revenue source while extending its know-how in filtration processes to all major industrial sectors in a global market place.

Does the Process Group now encompass Dorr-Oliver in its entirety ? **GL&V**: Indeed, by acquiring all member companies of the Dorr-Oliver Group in September 1999, some nine years after purchasing the Canadian company, GL&V completed the acquisition of this world leader in liquid-solid separation. In addition to GL&V/Dorr-Oliver Canada Inc., we now have eight subsidiaries in the United States, Mexico, Chile, France, Germany, United Kingdom, South Africa and Australia.

1996 **Acquisition of the assets of Black Clawson-Kennedy, Ltd.** (Dorval, Quebec) **and its U.S.A. division** (Watertown, New York) - Trademark, proprietary rights, designs, models, patents and a wide range of value-added products for the pulp and paper industry - GL&V gains access to an important spare parts market.

Have the expected benefits of the integration occurred ? **GL&V**: We merged some sales offices and eliminated duplicate functions, products and services with less added value. The integration will be complete by October 2000, and we expect results of the restructuring to reach, if not exceed, our initial forecasts of $12 million. The starch manufacturing centrifugation assets, which generated sales of about $30 million annually, were sold to Alfa Laval at the end of December 1999. Following this disposal, which enabled us to better focus on our expertise, the new GL&V/Dorr-Oliver subsidiaries' sales volume stands at about $70 million annually. These subsidiaries were already contributing to GL&V's earnings after three months of integration. We are presently closing down the Hazleton plant's manufacturing and distribution operations.

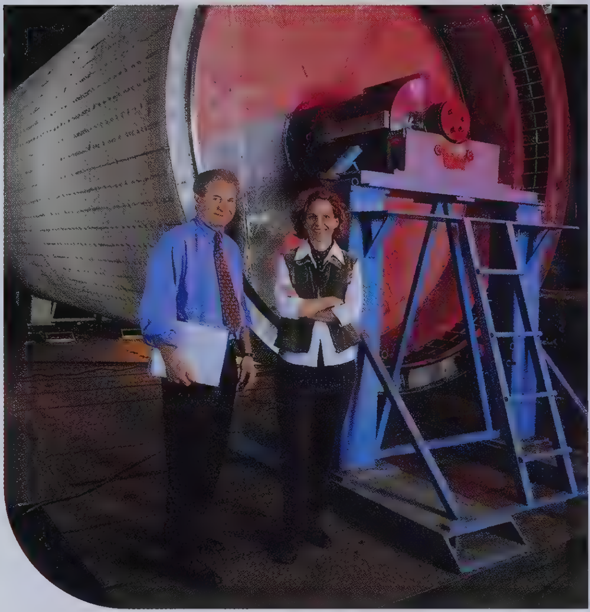
Are further acquisitions in the filtration process equipment industry planned ? **GL&V**: The industry offers attractive expansion potential worldwide. In general, its clients have faced similar situations to pulp and paper manufacturers, such as falling prices, downsizing, mergers and acquisitions, which has brought about a consolidation movement among companies, subsidiaries and divisions specializing in filtration products. As this consolidation is not yet over, acquisition opportunities of different sizes continue to arise. We study those that match our criteria, namely quality assets, expertise, long-term technological and growth potential, and a fair value. On June 19, 2000, GL&V/Dorr-Oliver Inc. announced the acquisition of the assets of Environmental Equipment & Systems, Inc. in Trumbull, Connecticut. This engineering company specializes in the design of process equipment and systems for wastewater and water treatment targeted to different industrial markets and large municipalities in the United States. With sales of some $3 million annually, it offers strong growth potential through our extensive, dynamic sales network.

What is your outlook for fiscal 2000-2001 ? **GL&V**: Our sales force is busy optimizing our increased product mix and service capacity. We serve an expanded client base that includes leaders in several industries. Over the past few months we have announced profitable orders totalling more than $15 million, including those obtained by GL&V/Dorr-Oliver GmbH, Germany, to manufacture and renovate dewaxing filters for an important oil refinery in Venezuela; a contract for a major aluminum smelter in India; and, more recently, GL&V/Dorr-Oliver Canada Inc. was awarded a contract by Shell Canada to design and install equipment for the oil sands project in Alberta. As at March 31, 2000, our backlog amounted to $40 million, compared with $13 million as at March 31, 1999. We anticipate a solid contribution to revenues in fiscal 2000-2001, as the new GL&V/Dorr-Oliver subsidiaries will be entirely integrated and will contribute to the results for the full year. In addition, the synergies that are gradually developing will enable us to further improve the EBITDA margin and allow us to anticipate a substantial contribution to GL&V's earnings.

1996

Acquisition of all the shares of LaValley Industries Inc. (Vancouver, Washington) - Leader in the design, manufacture, rebuilding and installation of fiberglass-reinforced plastic process and filtration equipment

GL&V MANUFACTURING



Christianne Précourt, Production Manager and Michel Gélinas, Vice-President General Manager, GL&V Manufacturing Inc.

Specializing in the mechanical machining, manufacture and erection of heavy equipment for different industrial markets, GL&V Manufacturing achieved an excellent performance during fiscal 1999-2000, surpassing its sales and profit objectives.

What was your most significant market in fiscal 1999-2000 ? **GL&V** : Our pulp and paper sector was the most active and most profitable over the past fiscal year, accounting for almost 50% of GL&V Manufacturing's revenues, with contracts coming from pulp and paper clients and GL&V's subsidiaries. Our other two sectors are focused respectively on the energy industry and various industrial markets.

Do you foresee important benefits from GL&V's latest acquisitions ? **GL&V**: We expect to obtain several outsourcing contracts from GL&V's Pulp and Paper Group and the Process Group following the restructuring of their new subsidiaries' operations. Such contracts could account for 15% to 20% of our revenues over the coming year. We will also increase our production capacity by integrating some of these subsidiaries' equipment.

What is your outlook for fiscal 2000-2001 ? **GL&V** : We benefit from excellent cooperation from our employees, productivity has improved considerably, internal relations are satisfactory and we recently signed a four-year collective agreement. Moreover, our order backlog is larger than last year. We are looking forward to another excellent year as we will continue to focus on the areas in which we excel and pursue efforts to develop business and enhance our quality of service.

1997 **Acquisition of the assets of Valmet's Sandy Hill division** (Hudson Falls, New York) - GL&V becomes the North American leader in medium-sized dryers for the pulp and paper industry.

OFFICERS AND DIRECTORS

LAURENT VERREAULT
Chairman of the Board,
President and Chief Executive Officer

GREG BRUYEA
President,
Process Group

JEAN DESBIENS
Senior Vice-President

ROBERT HARRISON
President,
Pulp and Paper Group

PIERRE LÉPINE
Vice-President,
Corporate Development

YVON L'HEUREUX
Vice-President,
Paper Group

ALAIN MÉLANSON
Vice-President,
Human Resources

WILLIAM SAULNIER
Vice-President,
Finance and Administration

RICHARD VERREAULT
Vice-President,
Pulp Group

BART YULE
Vice-President and General Manager,
GL&V/Dorr-Oliver Canada Inc.

LAURENT VERREAULT
Chairman of the Board,
President and Chief Executive Officer of GL&V

CLAUDE BOIVIN (1) (2)
Director of Corporations

JEAN DESBIENS
Senior Vice-President of GL&V

ROBERT DORION (1) (2)
Partner,
Desjardins Ducharme Stein Monast
Law Firm

JEAN-PIERRE DE MONTIGNY (1)
Executive Vice-President and Chief Financial Officer,
Telesystem International Wireless Inc.

LOUIS LAPERRIÈRE (2)
President and Chief Executive Officer,
HMI Construction Inc.

BERNARD LEMAIRE
Chairman of the Board,
Cascades Inc.

PIERRE MONAHAN
President and Chief Executive Officer,
Alliance Forest Products Inc.

PIERRE A. RAYMOND
Director of Corporations

WILLIAM SAULNIER
Vice-President, Finance and Administration of GL&V

(1) Member of the Audit Committee
(2) Member of the Corporate Governance and Human Resources Committee

Back
from left to right:

Bernard Lemaire,
Jean Desbiens,
Jean-Pierre De Montigny,
Pierre A. Raymond,
William Saulnier,
Robert Dorion,
Louis Laperrière.

Front
from left to right:

Claude Boivin,
Laurent Verreault,
Pierre Monahan.

1998 **Creation of the Centre International de Couchage C.I.C. Inc.** (Trois-Rivières, Quebec) in partnership with Mintech Canada Inc., a subsidiary of Specialty Minerals, Inc., and J.M. Huber Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Standing:
Pierre Lépine,
Vice-President,
Corporate Development

Seated:
Nick Babyak,
Financial Controller,
GL&V Pulp Group Inc.

Alain Mélanson,
Vice-President,
Human Resources

William Saulnier,
Vice-President,
Finance and
Administration

GL&V achieved exceptional growth and a major expansion during the fiscal year ended March 31, 2000. In terms of both revenue and profit margins, the Company rapidly benefited from the initial phases of integrating the two strategic acquisitions made in the space of five months. Most importantly, GL&V started implementing important technological and commercial synergies that should have a positive impact on its future performance and financial position. Principal events reflected in this annual report's financial statements were the following:

- **The contribution for the full fiscal year of the GL&V/Celleco subsidiaries, acquired on September 5, 1998,** as opposed to less than seven months for the previous fiscal year.
- **The acquisition of the Dorr-Oliver group of companies on September 15, 1999**. Specializing in the design and manufacture of liquid-solid separation equipment for various industrial markets, the GL&V/Dorr-Oliver subsidiaries should be fully integrated into the Process Group by the fall of 2000. They made a positive contribution to GL&V's results for their first six months within the Company.
- **The acquisition of some of the assets of National Refiner Plate Company on December 20, 1999,** through the GL&V/Celleco, Inc. subsidiary. This new division made a positive contribution to results for its first three months of operation as part of the Pulp and Paper Group.
- **The sale on December 21, 1999, of some of the Dorr-Oliver Group's starch manufacturing centrifugation assets** to the Swedish company Alfa Laval, which has proven expertise in this market. This disposal, which enables GL&V to concentrate on its know-how, provided for a privileged agreement under which GL&V will supply Alfa Laval with all peripheral parts to centrifugation equipment used in the manufacture of starch.

1998 **Acquisition of the assets of Alfa Laval Celleco** (Stockholm, Sweden) - World-renowned company - Pulp washing and filtration technologies for the pulp and paper industry - GL&V increases its technology platform considerably and extends its sales network onto five continents.

* **The acquisition of certain assets of two major business units of Beloit on February 25, 2000.** This acquisition resulted in the creation of two subsidiaries: GL&V Pulp Group Inc. which designs and manufactures equipment for pulp preparation, and GL&V/Beloit-Lenox Inc. which specializes in paper finishing equipment. During their first month within the Pulp and Paper Group, these two subsidiaries made a positive contribution to GL&V's results.

Finally, a change in accounting principles should be mentioned due to the fact that last year, GL&V retroactively adopted the recommendations of the Canadian Institute of Chartered Accountants respecting the presentation of the statement of cash flows.

OPERATING RESULTS

• Contract Income

Revenues grew by 33.8% or $59.5 million during the last fiscal year, to reach $235.4 million compared with revenues from continuing operations of $175.9 million for the previous fiscal year. Contract income more than doubled compared with the revenues from continuing operations of $110.9 million recorded for the fiscal year ended March 31, 1998. Combined with GL&V/Celleco's contribution for the full fiscal year, this growth was attributable mainly to the substantial addition made by the GL&V/Dorr-Oliver subsidiaries as well as the two new GL&V Pulp Group and GL&V/Beloit-Lenox subsidiaries.

GL&V recorded strong growth in revenues during the first and second quarters of fiscal 2000, which gave rise to increases of 54.2% and 66.4% respectively compared with the corresponding periods of the previous fiscal year. Revenues for the first six months amounted to $82.5 million, up from $51.5 million for the comparable period ended September 30, 1998. The contribution of the GL&V/Celleco subsidiaries was among the main factors behind the growth registered in the first half of fiscal 1999-2000 compared with the corresponding period of the previous fiscal year. During the second half of the year, revenues increased by 20.3% in the third quarter and by 25.2% in the final three months ended March 31, 2000. For the second half, GL&V therefore achieved revenues of $153 million, compared with $124.4 million for the last six months of the previous year.

More than 81% of revenues for the last fiscal year were recorded on international markets, including export sales made by the Canadian subsidiaries, as opposed to 72.5% for the previous fiscal year and 57.6% for fiscal 1997-1998. Sales in the United States increased by 64.3% to account for 44% of consolidated revenues, while business in Europe and other geographic markets grew by 82.9%, accounting for 36% of consolidated revenues.

• Earnings

Gross profits rose almost 50% to $59.0 million, up from $39.3 million in fiscal 1998-1999. They more than doubled compared with the gross profits of $24.4 million achieved for fiscal 1997-1998. It should be noted that depreciation and amortization expenses, which are included in the cost of contracts, increased by $1.3 million to $6.4 million compared with $5.1 million for the previous fiscal year, due to the addition of subsidiaries acquired during the last fiscal year.

The **gross profit margin** for the fiscal year increased significantly to reach 25%, compared with 22.4% for the previous fiscal year and 22% for the fiscal year ended March 31, 1998. GL&V/Black Clawson-Kennedy U.S.A.'s exceptional performance and the contributions made by the new subsidiaries to the growth in the gross margin were noteworthy.

Due to the higher sales volume and extended market coverage, **selling expenses** increased by 54.6% to $22.1 million, compared with $14.3 million in the previous fiscal year. However, **administrative expenses** rose by only $5.7 million to total $19.5 million, which reflects the efficiency of the initial phases of integrating recently acquired businesses. Although they considerably expanded GL&V's platform of engineered proprietary equipment, integrating GL&V/Dorr-Oliver, GL&V Pulp Group and GL&V/Beloit-Lenox required a temporary slowdown in their R&D projects. **Research and development costs** therefore grew by only $0.5 million to stand at $2.9 million for fiscal 1999-2000.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) totalled $20.9 million compared with $14.0 million for the previous fiscal year, a strong increase of 49%.

Financial expenses rose 53.3% from $2.4 million to $3.6 million, as a result of the bank financing related to the two major acquisitions of the last fiscal year.

Net earnings amounted to $6.9 million, up 59% over $4.3 million for the previous fiscal year, and up 91.8% over the $3.7 million in net earnings from continuing operations registered in fiscal 1997-1998. This sustained growth reflects the success of the restructuring and productivity efforts put forth over the past two years, during which three major acquisitions were completed. The strongest growth during fiscal 1999-2000 was posted in the first and fourth quarters, when net earnings increased by 148.8% and 73.4% respectively. **Earnings per share** for the year amounted to $0.82 ($0.69 fully diluted), compared with $0.52 ($0.43 fully diluted) for the previous fiscal year.

PRINCIPAL CASH FLOWS

The principal cash flows for the two fiscal years compared, specifically the years ended March 31, 1999 and 2000, have been modified in accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants. Consequently, temporary investments with an initial term of three months or more are presented as investment activities and changes in bank indebtedness are recorded as financing activities, whereas these items were previously included as cash and cash equivalents. Furthermore, non-cash investment and financing activities are no longer presented in the statement of cash flows.

Cash flow from operations totalled $12.6 million or $1.54 per share ($1.26 fully diluted), compared with $10.5 million or $1.27 per share ($1.05 fully diluted) for the previous fiscal year. This 21% increase stemmed mainly from the sharp rise in net earnings. Non-cash working capital items used cash resources of $9.3 million this year, most of which was required for accounts receivable and accounts payable. Operations therefore provided **net cash resources** of $3.3 million during the fiscal year.

1999

Acquisition of some of the assets of National Refiner Plate Company (Cairo, Georgia) - Manufacture of refiner plates for the pulp and paper industry

Investment activities of the past fiscal year consisted mainly of:

- the acquisition on September 15, 1999, of all of the shares of the Dorr-Oliver group of companies, for a cash consideration of $33.8 million;
- the acquisition of certain assets of National Refiner Plate Company on December 20, 1999, for a cash consideration of approximately $0.5 million;
- the acquisition of certain assets of two major business units of Beloit on February 25, 2000, for a cash consideration of $27.7 million;
- the purchase of fixed assets needed in the normal course of business for a total consideration of $2.6 million;
- the sale of the GL&V/Dorr-Oliver assets related to centrifugation products used in the manufacture of starch, for a cash consideration of $22.8 million; and
- the disposal of fixed assets for a consideration of $3.3 million, specifically production machinery at the GL&V/Dorr-Oliver Canada subsidiary (Orillia, Ontario).

Principal financing activities consisted of:

- the negotiation of bridge loans, regarded as long-term debt under agreements with the relevant banking institutions, totalling $62.2 million for the two acquisitions made during the fiscal year;
- the repayment of $14.9 million in long-term debt, some $11.7 million of which related to the repayment of the financing raised for the acquisition of the GL&V/Dorr-Oliver subsidiaries, using the proceeds from the sale of their business related to centrifugation products for the manufacture of starch. The remaining $3.2 million served to make various long-term debt repayments during the fiscal year; and
- a normal course issuer bid in the amount of $575,000.

It should be pointed out that GL&V plans to finish restructuring its long-term debt in the coming months. As at March 31, 2000, the Company had an available bank line of credit totalling over $35 million.

The various cash inflows and outlays of the year gave rise to a $13.2 million net increase in cash and cash equivalents during the fiscal year ended March 31, 2000, whereas the net increase had been $2.3 million for fiscal 1998-1999. Considering cash of $10.3 million and temporary investments of $5.5 million, **cash and cash equivalents** amounted to $15.8 million at the end of fiscal 1999-2000, compared with $3.0 million the previous year.

FINANCIAL POSITION

As at March 31, 2000, GL&V's **working capital** amounted to $47.1 million for a current ratio of 1.54:1, compared with $29.7 million and a ratio of 1.62:1 one year earlier.

Due to the acquisitions made during the fiscal year, **total assets** rose 65.4% to $225.9 million, up from $136.6 million at the end of fiscal 1998-1999. The principal factors behind the increase in assets were accounts receivable, which grew by 78.3% to reach $78.4 million; inventories, which more than doubled to total $26.6 million; fixed assets, which rose 31% to $61.8 million; as well as proprietary rights and goodwill.

In view of the financing arranged for the last two acquisitions, **total indebtedness** went from $35.7 million as at March 31, 1999, to $77.2 million as March 31, 2000. This amount includes the $3.0 million current portion of the long-term debt and the $5.2 million liability component of the subordinate debentures. After deducting the $15.8 million cash and cash equivalents, **total net indebtedness** amounted to $61.4 million as at March 31, 2000.

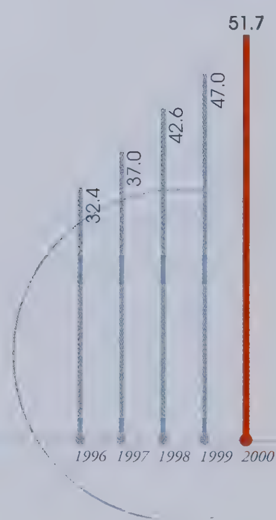
Shareholders' equity grew by 10.0% to reach $51.7 million, up from $47.0 million as at March 31, 1999. This increase mainly reflects the strong growth in retained earnings. The **share book value** stood at $6.22, compared with $5.63 as at March 31, 1999.

EVENTS SUBSEQUENT TO YEAR-END

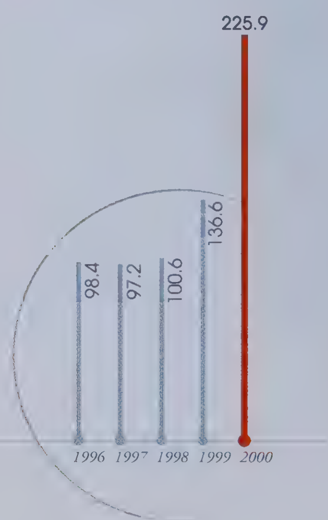
On May 19, 2000, according to the decision that had been announced on April 7, 2000 and consistent with the provisions of a trust indenture with Desjardins Trust dated December 23, 1993, GL&V converted a total of $5,138,000 in initially issued debentures into 1,370,133 Class “A” subordinate voting shares at a price of $3.75 per share, and an amount of $105,000 was redeemed in cash. These debentures, the expiry of which was fixed at December 23, 2003, had ceased to bear interest on January 23, 1998, and were convertible at the holder’s option into subordinate shares at a conversion price of $3.75 per share, being a rate of 266.67 subordinate shares per $1,000 principal amount of debentures. The trust indenture signed by GL&V and Desjardins Trust concerned a principal investment by GL&V of $9,925,000 in 7.75% convertible unsecured, adjustable rate subordinate debentures and 2,075 special warrants at a price of $1,000. Subsequently, GL&V issued some $2,075,000 in additional debentures upon the exercise of the warrants. As at February 29, 2000, $5,572,000 in debentures were outstanding. Under the terms of the trust indenture, GL&V could decide that the debentures would be redeemed if, at any time after December 30, 1998, the weighted average trading price of its Class “A” subordinate voting shares during 20 consecutive trading days ending at least five trading days before the decision date exceeded $4.69, being 125% of the debenture conversion price. This condition was fulfilled considering that for the period from March 3, 2000 to March 30, 2000, the weighted average price of GL&V’s Class “A” subordinate shares exceeded $4.69.

OUTLOOK
REQUIREMENTS AND SOURCES OF FUNDS IN 2000-2001

Judging by the growth recorded in fiscal 1999-2000, GL&V has started to reap the benefits of the restructuring undertaken following its two latest acquisitions. By the fall of 2000, the Company expects to have completed their integration and to fully benefit from important synergies between its new subsidiaries and its other business units in both growth segments. Results in the coming quarters should attest increasingly to GL&V’s efficiency as a business integrator.



Shareholders' equity
(in millions $)



Total assets
(in millions $)

2000

June - Acquisition of Environmental Equipment and Systems, Inc.
(Trumbull, Connecticut) - A leader in the design of process equipment and systems for wastewater treatment targeted to different industrial markets and large municipalities

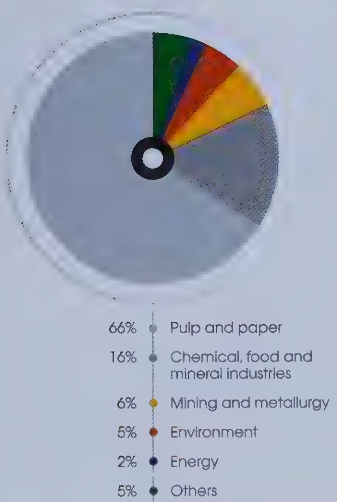
With a considerably expanded product mix resulting from the integration of world-renowned brands, an extended sales network, greater productivity and stronger expertise, GL&V will be in a solid position to benefit from the steady improvement in industrial markets' business conditions. For several months now, the firming up of commodity prices has been encouraging North American, European and Asian pulp and paper manufacturers to resume the capital expenditures they had put on hold for the past four years. Other strategic markets targeted by the Process Group offer attractive opportunities on the international scene, that its business units will be better positioned to seize thanks to GL&V's active presence in some 40 countries worldwide.

For the next two fiscal years, GL&V has placed its priority on:

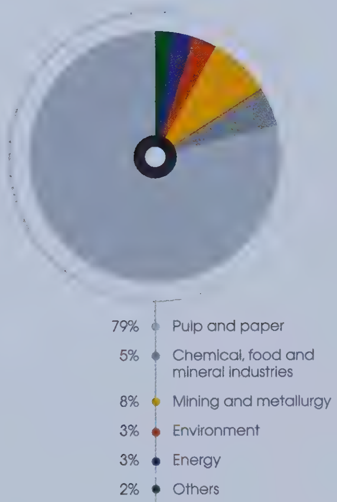
- fully integrating the two latest acquisitions;
- developing new technological and commercial synergies between its subsidiaries;
- accelerating internal growth by optimizing its platform of integrated products and its international sales force;
- forging new strategic alliances to complete its product lines; and
- acquiring small engineering companies whose growth will be maximized through the Company's sales network and synergies with other subsidiaries.

Moreover, GL&V should finish refinancing and restructuring its long-term debt shortly, which it plans to start repaying as of fiscal 2001-2002. As of March 31, 2000, the Company had an order backlog totalling $143 million compared with $93 million one year earlier. All elements are in place for its two major Groups to accelerate their growth over the next two years and to substantially increase their contract income and net earnings. With its cash flow from operations, GL&V will be able to meet all funding requirements in the normal course of business for fiscal 2000-2001.

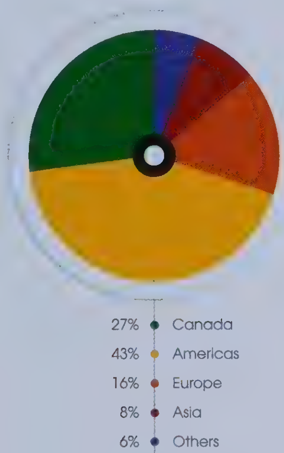
William Saulnier
Vice-President,
Finance and Administration



Revenues by industrial market 2000



Revenues by industrial market 1999



Revenues by geographic market 2000
Excluding export sales of Canadian subsidiaries

MANAGEMENT'S REPORT

The consolidated financial statements contained in this annual report have been prepared by management in accordance with generally accepted accounting principles and the integrity and objectivity of the data in these financial statements are management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent with the information and data contained in the financial statements. In support of its responsibility, management maintains a system of internal control to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal control.

The external auditors, Raymond Chabot Grant Thornton conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly.

Laurent Verreault
President and Chief Executive Officer

William Saulnier
Vice-President, Finance and Administration

Trois-Rivières, May 19, 2000

AUDITORS' REPORT

To the Shareholders of Groupe Laperrière & Verreault Inc.

We have audited the consolidated balance sheets of Groupe Laperrière & Verreault Inc. as at March 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in Canada.

Raymond Chabot Grant Thornton

Raymond Chabot Grant Thornton
General Partnership
Chartered Accountants

Montreal, May 19, 2000

CONSOLIDATED EARNINGS *(In thousands of dollars, except earnings per share)*

Years ended March 31	2000 $	1999 $
Contract income	235,440	175,922
Cost of contracts	176,472	136,597
Earnings after cost of contracts	58,968	39,325
Selling expenses	22,062	14,271
Administrative expenses	19,483	13,751
Financial expenses	3,629	2,367
Research and development costs	2,902	2,394
	48,076	32,783
Earnings before income taxes and non-controlling interest	10,892	6,542
Income taxes *(Note 7)*		
Current	2,955	2,122
Deferred	546	85
	3,501	2,207
Earnings before non-controlling interest	7,391	4,335
Non-controlling interest	554	239
Earnings from continuing operations	6,837	4,096
Discontinued operations *(Note 4)*		186
Net earnings	6,837	4,282
Earnings per share from continuing operations		
Basic	0.82	0.50
Fully diluted	0.69	0.42
Earnings per share		
Basic	0.82	0.52
Fully diluted	0.69	0.43

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED RETAINED EARNINGS *(In thousands of dollars)*

Years ended March 31	2000 $	1999 $
Balance, beginning of year	25,178	21,747
Net earnings	6,837	4,282
	32,015	26,029
Redemption premium on shares *(Note 21)*	184	787
Debenture issue costs following the conversion into class "A" subordinate voting shares *(Note 19)*	10	64
	194	851
Balance, end of year	31,821	25,178

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOWS *(In thousands of dollars)*

Years ended March 31	2000	1999
	$	$
Operating activities		
Earnings from continuing operations	6,837	4,096
Non-cash items from continuing operations *(Note 8)*	5,778	6,748
Changes in non-cash working capital items from continuing operations *(Note 9)*	(9,341)	(14,279)
Cash flows from continuing operations	3,274	(3,435)
Cash flows from discontinued operations *(Note 4)*		(363)
Cash flows from operating activities	3,274	(3,798)
Investing activities		
Temporary investments	3,921	6,611
Investments	(614)	(2,997)
Disposal of investments	354	162
Fixed assets	(2,599)	(3,691)
Disposal of fixed assets	3,264	1,330
Other assets	(767)	(809)
Acquisition of commercial operations *(Note 3)*	(61,908)	(10,967)
Disposal of commercial operations (*Note 3)*	22,778	
Discontinued operations	4,279	3,847
Cash flows from investing activities	(31,292)	(6,514)
Financing activities		
Bank loan		(254)
Long-term debt	56,636	21,284
Repayment of long-term debt	(14,855)	(6,392)
Share redemption	(575)	(1,988)
Cash flows from financing activities	41,206	12,650
Net increase in cash and cash equivalents	13,188	2,338
Translation adjustments	(353)	620
Cash and cash equivalents, beginning of year	2,958	
Cash and cash equivalents, end of year	15,793	2,958
Cash and cash equivalents		
Cash	10,261	2,958
Temporary investments	5,532	
	15,793	2,958

Cash flows relating to interests paid are $3,737,844 in 2000 and ($1,994,382 in 1999).
Those relating to income taxes paid (received) are $2,991,760 in 2000 and ($97,000 in 1999).

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS *(In thousand of dollars)*

Years ended March 31	2000	1999
	$	$
Assets		
Current assets		
Cash	10,261	2,958
Temporary investments, at cost *(Note 10)*	5,532	3,873
Accounts receivable *(Note 11)*	78,389	43,956
Income taxes receivable		2,277
Inventories *(Note 12)*	26,644	12,377
Contracts in progress, net of progress billing *(Note 13)*	10,109	10,528
Prepaid expenses	3,617	1,641
	134,552	77,610
Investments *(Note 14)*	6,799	4,122
Fixed assets *(Note 15)*	61,791	47,174
Other assets, at amortized cost *(Note 16)*	22,765	7,717
	225,907	136,623
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	82,844	44,892
Income taxes payable	1,565	
Instalments on long-term debt	2,956	2,933
Deferred income taxes	45	45
	87,410	47,870
Long-term debt *(Note 18)*	68,953	27,216
Liability component of convertible subordinate debentures *(Note 19)*	5,243	5,579
Other liabilities *(Note 20)*	8,320	5,248
Non-controlling interest	4,262	3,708
	174,188	89,621
Shareholders' equity		
Equity component of convertible subordinate debentures	576	620
Capital stock *(Notes 19 and 21)*	20,489	20,438
Retained earnings	31,821	25,178
Translation adjustments	(1,167)	766
	51,719	47,002
	225,907	136,623

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Laurent Verreault
Director

William Saulnier
Director

(Amounts in the tables are in thousands of dollars except for amounts per share)

1 • GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under Part IA of the Companies Act (Québec), designs, manufactures, rebuilds, assembles and installs equipment used by various industries.

2 • ACCOUNTING POLICIES

Change in accounting policy

In 2000, the Company adopted, on a retroactive basis, the new recommendations issued by the Canadian Institute of Chartered Accountants with respect to the disclosure of cash flows. The new requirements redefine cash and cash equivalents. Application of these new recommendations has led to the presentation of temporary investments having an initial term that is not three months or less with investing activities and changes in bank indebtedness with financing activities. Previously, all temporary investments and bank indebtedness were included with cash and cash equivalents. Moreover, non-cash investing and financing activities are no longer presented in the statement of cash flows.

Financial statements

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. In preparing the financial statements, management is required to make certain estimates and assumptions. In management's opinion, the financial statements have been prepared appropriately using professional judgement within the reasonable limits of materiality and in keeping with the accounting policies summarized below.

Principles of consolidation

These financial statements include the accounts of the Company and all its Canadian, American and European subsidiaries. All subsidiaries are wholly-owned except for GL&V Manufacturing Inc. which is 65%-owned. The joint ventures are accounted for using the proportionate consolidation method.

Foreign currency translation

Assets and liabilities of foreign operations classified as self-sustaining from a financial and operational standpoint are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenue and expenses in foreign currencies are translated at the average rate in effect during the year. Gains and losses are shown under translation adjustments in shareholders' equity.

Other foreign denominated monetary assets and liabilities are translated at the year-end exchange rate. Other revenues and expenses are translated at the average rate in effect during the year. Foreign exchange gains and losses arising from translation are included in the consolidated statements of earnings.

Derivative financial instruments

The Company's head office is located in Trois-Rivières, Quebec and it carries on its operations principally in the Americas and in Europe.

The Company is exposed to market risks relating to currency fluctuations. To reduce these risks, it uses derivative financial instruments, such as forward exchange contracts. It does not hold or issue any financial instruments for commercial or speculative purposes. The derivative financial instruments are subject to the standard credit terms and conditions, financial controls and management and risk monitoring procedures. In management's opinion, none of the parties to the existing financial instruments is expected to default on their obligations given their high level of creditworthiness.

Gains and losses on forward exchange contracts used to hedge future income are recorded at the same time as the hedged item.

Cash and cash equivalents

The Company's policy is to present cash and temporary investments having an initial term of three months or less from the acquisition date with cash and cash equivalents.

Inventory valuation

Raw materials are valued at the lower of cost and replacement cost and finished goods are valued at the lower of cost and net realizable value. Cost is determined by the average cost method.

Contract income and contracts in progress

The Company uses the completed contract method to record contract income other than income from long-term contracts for which it uses the percentage-of-completion method. Degree of completion is determined using the cost-to-cost method, which consists in comparing the costs incurred over total expected costs according to the Company's estimates. The full amount of losses is recorded once they can be estimated. Contracts in process are valued considering direct labour, materials and overhead costs plus any estimated gain on such costs. Progress billing relating to a contract is applied against the accrued contract costs.

Investments

Investments are carried at cost and at equity value for companies subject to significant influence. In the event of a decline in value which is considered to be other than temporary, the investment is written down to its estimated value and the loss is charged to income.

(Amounts in the tables are in thousands of dollars except for amounts per share)

2 • ACCOUNTING POLICIES (Continued)

Depreciation

Fixed assets are depreciated over their estimated useful lives according to the following methods, annual rates and periods:

	Methods	Rates and periods
Landscaping, paving and fences	Diminishing balance	4% to 8%
Buildings	Diminishing balance	5%
Equipment, furniture and fixtures	Diminishing balance	10% to 20%
Molds	Straight-line	10 years
Experimental equipment	Straight-line	20 years
Data processing equipment	Straight-line	3 years
Automotive equipment	Diminishing balance	30%
Leasehold improvement	Straight-line	5 to 10 years

Deferred government assistance and investment tax credits

Deferred government assistance and investment tax credits in respect of fixed assets and development costs are recorded under the cost reduction approach and amortized on the same basis as the related assets.

Other assets

Goodwill, which represents the excess of the costs of acquisition over the fair value of the net assets acquired, is evaluated periodically for any impairment in value. This consists of a review of the forecast future earnings as well as the cash flows from operations acquired which gave rise to the goodwill. Any permanent impairment in the carrying value of the recorded goodwill is charged to earnings. Goodwill is amortized on a straight-line basis over a period which does not exceed 20 years, until 2020.

Intellectual property and patents rights are recorded at cost and are amortized over their useful lives of 10 years, until 2010.

Research and development expenses include costs relating to specific projects, net of income tax credits, which, in the Company's opinion, have a specific market in the future. These expenses are deferred and amortized according to the straight-line method over a period of three to five years. All other research and development expenses are expensed in the year they are incurred.

Deferred financing costs are recorded at cost and will be amortized over the term of the financing agreement.

Debenture issue costs are recorded at cost and amortized over a maximum period of 10 years.

Pension plans

The Company maintains defined benefit pension plans which cover certain employees.

Under the provisions of the defined benefit pension plans, employees will receive pensions based on length of service, annual salary and average earnings. The cost of the pension plans is determined according to actuarial valuations. Pension expense comprises the total of the following:

- The cost of pension benefits provided in exchange for employees' services rendered during the year;
- Amortization on a straight-line basis over the employees' estimated average remaining service life, adjustments arising from changes in the plans or in assumptions, experience gains and losses, and other unamortized balances.

The difference between the employer's contributions and the amounts recorded as a pension expense or credit is reflected as deferred pension liability.

Stock option plan

The Company has granted stock options under its compensation plan for officers, senior managers and directors. No expenses are recognized at the time the stock options are granted. Payments received in connection with options exercised are credited to share capital.

Earnings per share

Earnings per share have been calculated using the weighted average number of shares outstanding during the year.

Fully diluted earnings per share have been calculated assuming that subordinate debentures and stock options outstanding at the end of the year had been converted or exercised at the later of the beginning of the year or the date of issuance.

(Amounts in the tables are in thousands of dollars except for amounts per share)

3 • ACQUISITION OF COMMERCIAL OPERATIONS

In the past two years, acquisitions of commercial operations have been accounted for using the purchase method. Accordingly, the allocation of the purchase price to assets and liabilities is based on their fair value.

The results of the commercial operations acquired are included in the consolidated financial statements from the date of acquisition.

Year ended March 31, 2000

On September 15, 1999, the Company acquired 100% of the shares of the companies in the Dorr-Oliver Group for a cash consideration of $33,792,449.

On December 20, 1999, the Company also acquired certain assets of National Refiner Plate Company for a cash consideration of $485,814.

Finally, on February 25, 2000, the Company acquired certain assets of two major divisions of Beloit for a cash consideration of $27,629,000.

On December 21, 1999, the Company sold certain assets relating to centrifuging equipment to manufacture starch, which it had acquired from the Dorr-Oliver Group, for a cash consideration of $22,778,000.

Goodwill resulting from the initial allocation of the purchase price is based on available information and the evaluations will be revised if additional information comes to light. Goodwill on these acquisitions is amortized over a 20-year period.

Year ended March 31, 1999

On September 5, 1998, the Company acquired certain assets from a Swedish company for a cash consideration of $10,967,000.

The following table summarizes the net assets acquired or sold during the past two years:

	2000	2000	1999
	Net assets acquired	Net assets sold	Net assets acquired
	$	$	$
Current assets	74,360	12,661	14,559
Fixed assets	24,145	1,447	16,584
Goodwill	23,870	12,267	3,497
Other assets	5,631	470	
	128,006	26,845	34,640
Current liabilities	(60,598)	(4,067)	(23,673)
Long-term debt and other liabilities	(5,500)		
Net assets acquired or sold	61,908	22,778	10,967
Cash consideration paid (received)	61,908	(22,778)	10,967

(Amounts in the tables are in thousands of dollars except for amounts per share)

4 • DISCONTINUED OPERATIONS

On April 1, 1999, the Company sold to a shareholder all the shares of its subsidiary, Hydro-Mécanique Inc., its turnkey contract group, for a consideration comprised of a note and preferred shares for a total amount of $3,000,000.

Results relating to the discontinued operations are detailed as follows:

	1999
	$
Operating income up to the measurement date (March 31, 1999), net of a $249,913 income tax expense	186

Contract income from discountinued operations amount to:

	1999
	$
Contract income	218,236
Contract income from continuing operations	(175,922)
Contract income from discontinued operations	42,314

Funds used for discontinued operations presented under operating activities on the consolidated statement of cash flows are as follows:

	1999
	$
Operating income	186
Non-cash items	
Depreciation and amortization	265
Deferred income taxes	(921)
Other items	107
	(363)

As of March 31, 1999, the subsidiary's net assets sold on April 1, 1999 are as follows:

	$
Current assets	15,368
Current liabilities	(13,619)
Working capital	1,749
Investments	263
Fixed assets	2,131
Other assets	644
Other liabilities	(1,816)
	2,971

5 • INTEREST IN JOINT VENTURES

The Company holds the following share in the assets and liabilities relating to its interest in joint ventures:

	2000	1999
	$	$
Assets	**1,462**	3,568
Liabilities	**978**	2,603

In the opinion of management, the investment in these joint ventures will be recovered and, consequently, no write-down has been recorded.

(Amounts in the tables are in thousands of dollars except for amounts per share)

6 • INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF EARNINGS FROM CONTINUING OPERATIONS

	2000	1999
	$	$
Depreciation of fixed assets	5,015	3,974
Amortization of goodwill	505	127
Amortization of development costs	340	252
Amortization of other assets	485	753
Amortization of deferred government assistance and investment tax credit	(34)	(38)
Interest on long-term debt	3,737	1,874
Amortization of discount on convertible subordinate debentures	62	67

7 • INCOME TAXES

The variance between the effective tax rate of the amounts recorded and the amounts computed by applying the statutory Canadian income tax rate to the earnings before income taxes is as follows:

	2000	1999
	%	%
Income taxes computed at statutory income tax rate	38.2	38.2
Manufacturing and processing	(1.4)	(1.2)
Income outside Canada taxed at other rates	(2.8)	(2.0)
Large corporation tax	0.2	0.2
Other, net	(2.1)	(1.5)
	32.1	33.7

8 • NON-CASH ITEMS FROM CONTINUING OPERATIONS

	2000	1999
	$	$
Loss on write-off of investments and other assets	957	691
Loss (gain) on disposal of fixed and other assets	(1,945)	89
Depreciation of fixed assets and amortization of goodwill, development costs and other assets	6,345	5,106
Amortization of deferred government assistance and investment tax credits	(34)	(38)
Deferred income taxes	(140)	650
Pension expense	(21)	(56)
Non-controlling interest	554	239
Amortization of discount on convertible subordinate debentures	62	67
	5,778	6,748

(Amounts in the tables are in thousands of dollars except for amounts per share)

9 • CHANGES IN NON-CASH WORKING CAPITAL ITEMS FROM CONTINUING OPERATIONS

	2000	1999
	$	$
Accounts receivable	(14,531)	(17,235)
Income taxes	419	2,304
Inventories	8,120	2,684
Contracts in progress, net of progress billing	1,773	3,678
Prepaid expenses	(546)	(1,177)
Accounts payables and accrued liabilities	(4,576)	(4,533)
	(9,341)	(14,279)

10 • TEMPORARY INVESTMENTS

	2000	1999
	$	$
Bonds issued by municipal bodies, 4.85% to 5%		3,426
Term deposits, 4.2% to 10.7% (3% to 3.725% in 1999)	5,182	229
Other	350	218
	5,532	3,873

11 • ACCOUNTS RECEIVABLE

	2000	1999
	$	$
Trade	69,982	37,180
Holdbacks	1,589	4,006
Other	6,547	2,477
Instalments on investments receivable within one year	271	293
	78,389	43,956

The Company, whose head office is located in Trois-Rivières, Quebec carries on its operations principally in the Americas and in Europe. The credit risks related to accounts receivable are limited given the extensive client base. However, 43% of accounts receivable (51% in 1999) were related to the pulp and paper industry.

12 • INVENTORIES

	2000	1999
	$	$
Raw materials	12,410	5,044
Finished goods	14,234	7,333
	26,644	12,377

(Amounts in the tables are in thousands of dollars except for amounts per share)

13 • CONTRACTS IN PROGRESS AND PROGRESS BILLING

	2000	1999
	$	$
Contracts in progress	66,021	138,520
Progress billing	55,912	127,992
	10,109	10,528

14 • INVESTMENTS

	2000	1999
	$	$
Investments in companies subject to significant influence, at equity value	1,134	1,515
Invetsments, at cost		
Shares of private companies	2,997	1,826
3.66% mortgage, receivable in annual instalments of $193,694, principal and interest, until January 2003	541	709
Other	2,398	365
	7,070	4,415
Instalments receivable within one year	271	293
	6,799	4,122

15 • FIXED ASSETS

			2000
	Cost	Accumulated depreciation	Net
	$	$	$
Land	6,435		6,435
Landscaping, paving and fences	170	92	78
Buildings	41,320	12,375	28,945
Equipment, molds, furniture and fixtures	51,949	30,968	20,981
Experimental equipment	4,333	969	3,364
Data processing equipment	6,760	5,033	1,727
Automotive equipment	506	321	185
Leasehold improvements	1,450	880	570
Deferred government assistance and investment tax credits	(1,101)	(607)	(494)
	111,822	50,031	61,791

(Amounts in the tables are in thousands of dollars except for amounts per share)

15 • FIXED ASSETS (Continued)

			1999
	Cost	Accumulated depreciation	Net
	$	$	$
Land	4,719		4,719
Landscaping, paving and fences	211	116	95
Buildings	23,420	4,174	19,246
Equipment, molds, furniture and fixtures	26,684	10,566	16,118
Experimental equipment	5,257	799	4,458
Data processing equipment	5,380	3,175	2,205
Automotive equipment	1,073	819	254
Leasehold improvements	1,454	847	607
Deferred government assistance and investment tax credits	(1,101)	(573)	(528)
	67,097	19,923	47,174

16 • OTHER ASSETS

	2000	1999
	$	$
Goodwill	**13,842**	4,134
Intellectual property rights and patents	**6,189**	1,803
Development costs	**1,089**	1,113
Deferred financing costs	**1,182**	
Debenture issue costs	**113**	155
Others	**350**	512
	22,765	7,717

The cost and accumulated amortization of intellectual property rights amount to $5,796,987 and $141,025 ($2,045,750 and $864,500 in 1999).

The cost and accumulated amortization of patents amount to $890,000 and $357,335 ($890,000 and $268,335 in 1999).

17 • BANK INDEBTEDNESS

As at March 31, 2000, the Company benefited from agreements with various financial institutions providing credit facilities totalling $35 million (Cdn$20 million and US$10 million). These credit facilities bear interest at the prime rates of financial institutions prime plus 0.5% (prime plus 0.5% in 1999) and are renewable in 2001. These credit facilities are secured by a movable and an immovable hypothec on the universality of the Company's property and that of its subsidiaries. The credit facilities include certain covenants associated with financial ratios, all of which are met as at March 31, 2000.

(Amounts in the tables are in thousands of dollars except for amounts per share)

18 • LONG-TERM DEBT

	Current portion	2000	1999
	$	$	$
Mortgage, secured by fixed assets and by a hypothec on the universality of a subsidiary's equipment, bearing interest at the prime rate of a financial institution plus 0.75%, payable in monthly instalments of $65,476, principal only, maturing in 2003	786	2,095	2,881
Note payable, bearing interest at the prime rate of a financial institution plus 0.875%, payable in monthly instalments of $100,000, principal only, renewable in 2001 [(b)] [(c)]	1,200	3,225	4,425
Note payable, bearing interest at U.S. prime rate of a financial institution plus 1%, payable in monthly instalments of US$17,857, principal only, maturing in 2004 [(b)]	311	1,163	1,834
7% bank loan, payable in monthly instalments of US$7,425, principal and interest, maturing in 2003	105	393	501
5.66% mortgage, secured by fixed assets, payable in quaterly instalments of $3,080, interest only, renewable in 2001		202	218
Bridge loan, bearing interest at the prime rate of a financial institution plus 1.5%, renewable in 2001 [(a)]		17,500	17,500
US$9,080,000 bridge loan, bearing interest at U.S. prime rate of an American financial institution plus 1%, renewable in 2001 [(a)]		13,307	
US$21,570,000 bridge loan, bearing interest at U.S. prime rate of an American financial institution plus 1.3%, renewable in 2001 [(a)]		31,352	
7% note payable, in quarterly instalments of US$15,000, principal only, maturing in 2005	87	414	
Bank loan, bearing interest at U.S. prime rate of a Canadian financial institution plus 0.75%, payable in monthly instalments of US$26,786, principal only renewable in 2001 [(b)] [(c)]	467	2,258	2,790
		71,909	30,149
Instalments due within one year	2,956	2,956	2,933
		68,953	27,216

[(a)] *The Company has lines of credit for bridge financing for $75 million (Cdn$36 million and US$27 million) for the acquisition of assets and companies as well as the repayment of loans outstanding as at March 31, 2000. These lines of credit for bridge financing are secured by a movable and immovable hypothec on the universality of the Company's property and that of its subsidiaries. The credit agreement contains certain covenants relating to financial ratios, which are all met as at March 31, 2000.*

Although the bridge loans mature in the coming year, they are presented on a long-term basis since they were contracted to finance the acquisition of assets and companies and management of the Company intends to renegotiate them in the coming year.

[(b)] *The note payables and the bank loans of subsidiaries are secured by a movable hypothec on book debts and inventories and by a hypothec on the universality of the Company's property. These credit facilities contain certain covenants which are all met as at March 31, 2000.*

[(c)] *The instalments on the note payable and the bank loan during the coming years are estimated on the basis of current debt terms and conditions.*

The instalments on long-term debt for the next five years are $2,956,531 in 2001, $2,964,223 in 2002, $2,335,326 in 2003, $837,644 in 2004 and $476,541 in 2005.

(Amounts in the tables are in thousands of dollars except for amounts per share)

19 • SUBORDINATE DEBENTURES

	2000	1999
	$	$
Non-interest bearing since January 23, 1998, convertible at the holder's option into Class "A" subordinate voting shares at a conversion price of $3.75 per share, maturing in 2004. These debentures are redeemable at their face amount as of January 1, 1999	5,243	5,579

During the year, 3.5% (19% in 1999) of the subordinate debentures issued initially were converted into Class "A" subordinate voting shares at $3.75 per share (see Note 21). Subsequent to this transaction, debenture issue expenses of $10,167 ($63,786 in 1999), included in other assets, were applied against retained earnings.

Subsequent to year end, that is on May 19, 2000, $5,138,000 of initially issued debentures was converted into 1,370,133 Class "A" subordinate voting shares at $3.75 per share and $105,000 was repaid in cash.

20 • OTHER LIABILITIES

	2000	1999
	$	$
Pension liabilities	4,535	300
Deferred income taxes	745	2,452
Other	3,040	2,496
	8,320	5,248

21 • CAPITAL STOCK

Authorized

Unlimited number of shares without par value

Class "B" multiple voting shares, carrying 10 votes per share, participating, convertible into Class "A" subordinate voting shares

Class "A" subordinate voting shares, participating

Preferred shares, issuable in series

Issued and fully paid

	2000		1999	
	Number of shares	Total	Number of shares	Total
		$		$
Class "B" voting shares				
Outstanding, beginning of year	3,670,361	5,789	3,823,925	6,031
Share redemption for cancellation	(34,600)	(55)	(122,100)	(193)
Conversion of Class "B" shares into Class "A" shares	(30,906)	(49)	(31,464)	(49)
Outstanding, end of year	3,604,855	5,685	3,670,361	5,789
Class "A" subordinate voting shares				
Outstanding, beginning of year	4,672,088	14,649	4,391,370	13,336
Shares issued				
Conversion of Class "B" into Class "A"	30,906	49	31,464	49
Conversion of debentures	112,260	442	584,254	2,272
Shares redemption for cancellation	(107,300)	(336)	(335,000)	(1,008)
Outstanding, end of year	4,707,954	14,804	4,672,088	14,649
		20,489		20,438

(Amounts in the tables are in thousands of dollars except for amounts per share)

21 • CAPITAL STOCK (Continued)

During the year, the Company redeemed 34,600 (122,100 in 1999) Class "B" shares for cancellation for a cash consideration of $143,387 ($593,699 in 1999) including a share redemption premium of $88,819 ($401,136 in 1999) applied against retained earnings. It also redeemed 107,300 (335,000 in 1999) Class "A" subordinate voting shares for cancellation for a cash consideration of $431,793 ($1,394,525 in 1999) including a share redemption premium of $95,342 ($386,278 in 1999) applied against retained earnings.

Finally, 112,260 (584,254 in 1999) Class "A" subordinate voting shares were issued on the conversion of a portion of the convertible subordinate debentures (see Note 19). A total amount of $441,135 ($2,272,442 in 1999) was charged to the capital stock of the Class "A" subordinate voting shares, that is 3.5% (19% in 1999) of the balance of convertible subordinate debentures issued initially and the equity component of the convertible debentures.

A stock option plan is set up for the Company's officers, senior managers and directors. Under this plan, a maximum number of 761,169 Class "A" subordinate voting shares can be issued. Under this plan, the options can be exercised at the trading price of the Company's shares on the day the options are granted and are valid for a term not to exceed 10 years. The terms and conditions relating to the options are determined by the Board of Directors.

	2000		1999	
	Number	Weighted average exercice price	Number	Weighted average exercice price
		$		$
Beginning of year	275,000	3.95	100,000	3.15
Issued	50,000	4.05	225,000	3.89
Cancelled	(5,000)	3.30	(50,000)	3.00
End of year	320,000	3.97	275,000	3.95
Exercisable options	320,000		275,000	

The weighted average contractual term remaining for outstanding options and exercisable options is 7.7 years.

22 • FINANCIAL INSTRUMENTS

Forward exchange contracts

The Company has concluded forward exchange contracts which fix the Canadian dollar amount of future cash flows in US dollars until December 2000 at US$10,900,000 for an average rate of 1.4535.

Fair value of financial instruments

The fair value of cash, temporary investments, accounts receivable and accounts payable and accrued liabilities is equivalent to the carrying amount thereof given that they will mature shortly.

The fair value of investments in private companies is not easily determinable because the shares of these companies are not publicly-traded.

The fair value of other investments has been determined by discounting future cash flows using market interest rates at the balance sheet date.

The estimated fair value of the long-term debt is determined by analyzing future cash flows discounted at the Company's current interest rates.

The fair value of the liability component and the equity component of convertible subordinate debentures is based on market prices at the balance sheet date.

The fair value of deferred financial instruments is calculated from market conditions.

(Amounts in the tables are in thousands of dollars except for amounts per share)

22 • FINANCIAL INSTRUMENTS (Continued)

	2000		1999	
	Fair value	Carrying amount	Fair value	Carrying amount
	$	$	$	$
Cash	10,261	10,261	2,958	2,958
Temporary investments	5,532	5,532	3,873	3,873
Accounts receivable, excluding taxes receivable and instalments on investments receivable within one year	78,118	78,118	43,663	43,663
Investments				
Other	2,877	2,939	1,019	1,074
Accounts payable and accrued liabilities	82,844	82,844	44,892	44,892
Long-term debt including current portion	71,793	71,909	30,050	30,149
Liability component of convertible subordinate debentures	8,283	5,243	5,617	5,579
Forward exchange contracts	50			

23 • PENSION PLANS

Details for various defined-benefit pension plans offered to employees are as follows:

	2000	1999
	$	$
Funded plans		
Accrued benefit obligation	4,462	4,377
Actuarial value of pension plan assets	4,802	3,934
Unfunded plans		
Accrued benefit obligation	4,225	

24 • COMMITMENTS

The Company has entered into long-term lease agreements which call for lease payments of $8,838,000 until 2008 for the rental of commercial premises and equipment. Minimum lease payments for the next five years are $4,173,000 in 2001, $1,560,000 in 2002, $1,228,000 in 2003, $786,000 in 2004 and $495,000 in 2005.

25 • CONTINGENCIES

The Company and its subsidiaries are parties to claims and suits brought against them for which it is impossible to determine the outcome. In the opinion of management, the results of such claims and suits are not expected to materially affect the Company's financial position.

(Amounts in the tables are in thousands of dollars except for amounts per share)

26 • SEGMENTED INFORMATION

The consolidated data per geographic segment represent revenues and assets according to the location of the subsidiaries.

	2000		1999	
Revenue per geographic segment	$	%	$	%
Canada	78,592	33	88,944	51
United States	103,052	44	62,716	36
Europe	84,983	36	46,465	26
Eliminations	(31,187)	(13)	(22,203)	(13)
	235,440	100	175,922	100
Export sales from Canadian subsidiaries	28,113		34,389	

	2000		1999	
Assets per geographic segment	$	%	$	%
Fixed assets				
Canada	14,344	23	17,487	37
United States	37,449	61	20,998	45
Europe	9,998	16	8,689	18
	61,791	100	47,174	100
Goodwill				
Canada			903	22
United States	13,484	97	2,763	67
Europe	358	3	468	11
	13,842	100	4,134	100

OTHER INFORMATION

HEAD OFFICE
GL&V
25 des Forges Street, Suite 420
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TRANSFER AGENT AND REGISTRAR
Fiducie Desjardins inc. (Montreal)
Equity Transfer Services Inc. (Toronto)

AUDITORS
Raymond Chabot Grant Thornton
General Partnership

LEGAL COUNSEL
Desjardins Ducharme Stein Monast
General Partnership

INVESTOR RELATIONS AND FINANCIAL COMMUNICATIONS
Lefebvre Financial Communications Inc.

1975-2000

Ce rapport annuel est également disponible en français.
Pour en recevoir un exemplaire, veuillez vous adresser
par écrit au Secrétaire de la Société au siège social.

GL&V's 1999-2000 Annual Information Form
will be available on request at the
Company's Head Office as of
August 19, 2000.

Annual General Meeting of Shareholders
Wednesday, September 27, 2000, at 11:30 a.m.
Omni Mont-Royal Hotel
Pierre de Coubertin Room
1050 Sherbrooke Street West
Montreal, Quebec

STRATÉ-J COMMUNICATIONS / LEFEBVRE FINANCIAL COMMUNICATIONS INC.

www.glv.com